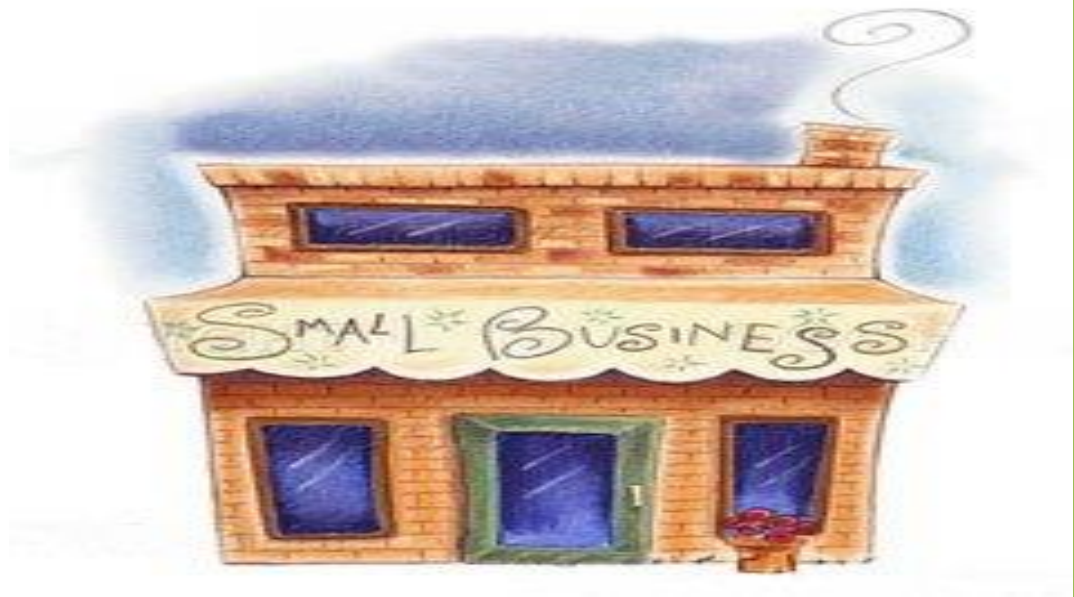




# SMALL BUSINESS DEVELOPMENT LOAN PROGRAM



**A federally funded program designed to assist new and existing small businesses within Augusta-Richmond County**

**Program Provides:**

Financial & Technical Assistance

Loans at low rates & easy repayment

Creation of new jobs & services for the community

**HOUSING AND COMMUNITY  
DEVELOPMENT DEPARTMENT**

**925 LANEY-WALKER BLVD.,**

**2<sup>nd</sup> FLOOR**

**AUGUSTA, GEORGIA 30901**

**PHONE: (706) 821-1797**

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## PROGRAM DESCRIPTION

The Small Business Development Loan Program (SBDLP) was implemented to provide financial and technical assistance to all entrepreneurs seeking to establish new businesses or to expand existing ones. Our program satisfies the “low/moderate income benefit” objective of the U.S. Department of Housing and Urban Development (HUD). The Augusta Housing and Community Development Department (AHCDD) wants to see businesses develop and flourish in the City of Augusta and that is why we encourage business development in our target areas and strongly believe that small businesses are the backbone of Augusta’s economy.



The City of Augusta recognizes that there are many obstacles that impede the success of small businesses. Our program recognizes that and offers products and services to help small businesses and entrepreneurs get started and remain in business.

Financial assistance is offered to small businesses and entrepreneurs located and operating within Augusta – Richmond County of Augusta, Georgia. Each client receiving financial assistance through the Small Business Development Loan Program will agree to accept required technical assistance upon the recommendation of the Augusta Housing and Community Development Department (AHCDD).

## ELIGIBLE APPLICANTS

Applicant may be an individual, corporation, partnership or other legal entity organized or operated for profit. Applicant must demonstrate a need and/or financing gap to be eligible for financial assistance and must demonstrate that receiving this assistance will create or retain permanent jobs, expand/sustain and upgrade the business. The application can only be processed once the applicant has been assisted by a local SCORE mentor or by the local Small Business Administration Office ([see page 9 for contact information](#)). The business must operate within Augusta – Richmond County for the life of the loan. AHCDD must be notified prior to any relocation within the City. Relocations without notification/approval from AHCDD may result in a defaulted loan. The business must be committed to creating at least one Part-Time job for a low to moderate income person, contingent upon the awarded amount.

Applicant can be an on-site or absentee owner/manager. If absentee, owner must demonstrate that the selected manager has managerial skills to effectively manage the business. AHCDD staff members and their families will be guided by the current City policy governing employees' participation in Augusta's economic development programs. Augusta-Richmond County Housing and Community Development Department employees, Mayor, City Administrator and Commissioners are ineligible to receive funding assistance through this program. Upon expiration of their (Mayor/City Administrator/Commissioners) service and a one year lapse, an elected officer, may apply for assistance through this program.

# TYPES OF LOANS

AHCDD offers three different loan products to financially help the needs of small businesses and entrepreneurs.

1. START-UP/EXPANSION LOAN
2. WORKING CAPITAL LOAN

## START-UP / EXPANSION LOAN

This loan is designed to financially assist entrepreneurs in obtaining financing for various operational necessities. Funds may be used for, but not limited to the following:

- Expand business and/or venture into a new market
- Purchase machinery and equipment
- Purchase inventory
- Purchase furniture and fixtures
- Make leasehold improvements
- Acquire land and/or structures
- Transportation Services
- Pollution Control and Abatement

### Criteria

- Provide Application Fee
- Complete an application and provide all supporting documents
- Loan must be fully secured
- Must create or retain jobs for at least one PT position that will benefit low to moderate income persons, contingent upon the awarded amount
- Twenty percent (20%) of startup costs (owner's equity) required Ten percent (10%) expansion

### Loan Terms

- **Loan Range: Up to \$35,000.00 maximum.** If the Assistant Director-Housing recommends approval of a loan request for an amount greater than \$35,000, it must be forwarded to the AHCDD Director for final decision.
- Interest rate range: 4%
- Repayment term is seven (7) years

## QUALIFYING FACTORS FOR START-UP/EXPANSION LOAN

The following factors will be used to evaluate all applicants:

- Project must provide benefit for low and moderate-income persons (job creation or retention), contingent upon the awarded amount.
- Must evidence a financing gap
- Must evidence sufficient collateral and security

- Must inject 20% owner's equity (of the total startup costs) into venture
- Must demonstrate ability to repay as agreed
- Must have good personal and/or business credit history
- Must not have local, state, or federal tax liens or back taxes due.
- Must have a sound existing or proposed business enterprise, i.e., available cash flow must be evident to service the proposed debt and the outlook for continued ability must be evident
- Agreement to complete courses, workshops, and/or seminars if a person has not evidenced formal education and training or experience in business
- Good character and integrity
- Entrepreneur must have an established commercial checking account for the business
- Entrepreneur must provide a copy of updated business license
- Entrepreneur must have their business registered with Dunn & Bradstreet prior to closing.

### **WORKING CAPITAL LOAN**

This loan is designed to assist existing small businesses in financing their working capital needs.

#### **Criteria**

- Complete an application and provide all supporting documents
- Business must be an existing (for at least 1 year) and licensed establishment
- Loan must be fully secured
- Must create or retain jobs to benefit low to moderate income persons

#### **Loan Terms**

- **Minimum Loan Amount: \$7,500.00- Maximum Loan Amount- \$35,000.00**
- Interest rate range: 4%
- Repayment term is 5 – 7 years contingent on amount

### **QUALIFYING FACTORS FOR WORKING CAPITAL LOAN**

The following factors will be used to evaluate all applicants:

- Project must provide benefit for low and moderate-income persons (job creation or retention). Venture must create or retain at least one full-time permanent job or two part-time jobs per \$35,000 of CDBG funds used or provide goods or services to residents of an area, such that the number of low and moderate income persons residing in the areas served by the assisted business amounts to at least one low and moderate income person per \$35,000 of CDBG funds used
- Must evidence a financing gap
- Must evidence sufficient collateral and security
- Must inject 10% owner's equity (of the working capital costs) into venture
- Must demonstrate ability to repay as agreed
- Must have good personal and/or business credit history
- Must not have local, state, or federal tax liens or back taxes due

- Must have a sound existing or proposed business enterprise, i.e., available cash flow must
- be evident to service the proposed debt and the outlook for continued ability must be
- evident
- Good character and integrity
- Entrepreneur must have an established commercial checking account for the business
- Entrepreneur must provide a copy of updated business license
- Entrepreneur must have their business registered with Dunn & Bradstreet prior to closing.

## ELIGIBLE USES OF LOAN PROCEEDS

- Purchase of machinery, equipment, supplies and inventory
- Purchase of business or franchise
- Purchase of easements, right-of-way, building facilities
- Acquisition of real estate
- Make capital or leasehold (tenant) improvements
- Legal/Accounting
- Startup Operating Costs
- Working Capital
- Feasibility Studies
- Promotion/Advertising
- Fees & Charges. Authorized fees include professional fees rendered by professionals generally licensed by individual state or accreditation associations, such as architects, lawyers, accountants, and appraisers.
- Any such fees should be fully documented.



## INELIGIBLE USES OF LOAN PROCEEDS

A loan **will not** be made to businesses or persons with unsatisfactory credit, delinquent taxes or other federal debts. The following activities/purchases are also ineligible:

- Finance existing debt such as payroll expenses, taxes, etc.
- Finance accounts receivables
- Purchase construction equipment (other than solid waste equipment)
- Purchase fire protection equipment
- Purchase furnishings and personal property not an integral structural fixture of the business debt consolidation
- Finance political activities
- Restaurant start-up enterprises. Existing restaurants must be in operation for at least one (1) year prior to submitting an application for expansion, working capital, or technical assistance.



## SECURITY AND COLLATERAL

This policy will be used to determine the amount of collateral required and establish the value of collateral being offered. All loans must be fully secured.

### TYPES OF ASSETS ACCEPTABLE AS COLLATERAL

- Liquid assets (cash and marketable securities)
- Real estate (commercial and/or residential)
- Both personal and business guarantees (other guarantors may be required)
- Machinery, equipment, furniture, fixtures, and inventory are acceptable but **not alone**. **Must be accompanied by more substantial collateral such as liquid assets and/or real estate.**

### VALUE OF COLLATERAL

The City of Augusta will require that loans include an assessment of the current value of collateral pledged. Specifically, if real estate is offered as collateral, a real estate appraisal is preferred. However, at the discretion of the AHCDD Director, county tax records may be introduced to establish value. If machinery and equipment are offered, the IRS Valuation Tables will be used.

The security interest (collateral position) of the SBDLP may be made subordinate to the interest of other lenders, such as banks, or the United States Small Business Administration in order to secure total project financing.

AHCDD will reference the underwriting Loan-to-Value (LTV) ratios established by HUD when making loan decisions. Entrepreneurs must not have a personal debt/income ratio that exceeds 50% (excluding proposed business loan payment). The businesses' debt coverage ratio must be at least 1.10. The following loan-to-value ratios will be used on the following forms of collateral:

Real Estate	80%
Machinery and Equipment	50% - 75%
Inventory	50% - 60%

## LOAN REVIEW PROCESS

The Oversight Committee meets the third Wednesday of every month to review completed loan applications. Incomplete applications will not be reviewed until all supporting documentation has been submitted to AHCDD.

AHCDD must receive the completed loan package **by the last business day of the month**, to be considered for the next loan committee meeting date. All applications received after the deadline will become a part of the following month's review process. The complete process can take at least 30-60 days from the initial interview to the final approval or disapproval of the loan. All decisions made by the Oversight Committee are final.

- The applicant contacts AHCDD for application.
- AHCDD will deliver the application upon receipt of the non-refundable \$35 application fee.
- The Applicant will complete the application package and provide all necessary documents for AHCDD underwriting review.
- AHCDD will conduct a UCC search and pull the applicant's credit report to ensure that the business has no additional loans that would prevent AHCDD from being in the 1<sup>st</sup> or 2<sup>nd</sup> lien holder position for the loan amount.
- AHCDD will then perform its underwriting due process.
  - If not approved, AHCDD will provide the applicant with a disapproval letter stipulating the reasons for disapproval.
  - If approved, AHCDD will send out an initial approval letter stipulating the approval loan amount and the date for closing and execution of the CDBG agreement, loan agreement, and UCC-1 documents.
- At closing, the applicant will be informed of the date of release of funds, reporting requirements, and loan payment amount.

With the concurrence of the Mayor and Administrator, the AHCDD Director has the authority to waive loan limits based on project needs and benefits to low/moderate income persons.

The Augusta Housing and Community Development Department will serve as the conduit for making loans to borrowers on behalf of the City of Augusta.

*The borrower is responsible for all of the processing and legal fees incurred in the loan process. These costs can be charged against the proceeds of the loans.*

## **SUBRECIPIENT MONITORING**

Each client will be monitored annually until the loan is paid in full. However, when serious problems arise, more frequent on-site visits will be scheduled. At that time, the file will be documented as to the status of the loan. Photographs will be taken and maintained in the subrecipient's file. Monitoring will be conducted in the following areas:

- General performance
- Recordkeeping
- Creation of new, permanent, full-time, low/moderate income jobs
- Public benefit
- Personal property management
- Financial accountability (i.e. timely payment of debt services)



The need for technical assistance will be determined after the review of the Monitoring Report, the Quarterly Report, and other appropriate documents pursuant to the loan agreement executed between the borrower and the lender.

The applicant will submit Quarterly reports to show the progress being made due to the awarding of the funding. The reports are due as follows upon the approval of the loan and completion of a quarter:

Q1 Report Due April 1<sup>st</sup>  
Q2 Report Due July 1<sup>st</sup>  
Q3 Report Due October 1<sup>st</sup>  
Q4 Report Due January 1<sup>st</sup>

### **REMIT ALL APPLICATIONS TO:**

**Augusta Housing and Community Development Department**

**Attn: Business Loan Department**

**925 Laney Walker Boulevard, 2<sup>nd</sup> Floor**

**Augusta, GA 30901**

**(706) 821-1797 Phone**

**(706) 821-1784 Fax**

*The City of Augusta's Housing and Community Development Department does not discriminate on the basis of a person's handicapped status in its programs or activities.*

*This program is funded through the Community Development Block Grant Program sponsored by the United States Housing and Urban Development*

### **SMALL BUSINESS ASSISTANCE CENTERS**

**Small Business Development Center**

**Visit**

UGA Small Business Development Center

1450 Greene Street, Suite 3500

Augusta, GA 30901

(706)-721-4545

(F) (706)-721-4554

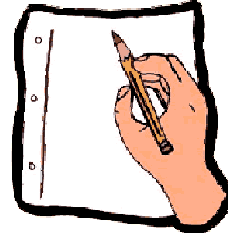
[www.score.org](http://www.score.org)

**for business mentoring**

[www.georgiasbdc.org](http://www.georgiasbdc.org)

## REQUIREMENTS FOR A COMPLETE APPLICATION KIT

- ✓ Letter of evidence that Small Business Development Center has reviewed your package.
- ✓ Completed application with business plan
- ✓ Brief History of Company
- ✓ Narrative substantiating need for loan
- ✓ Proof of equity/financial leveraging
- ✓ Personal financial statement (along with IRS tax returns for past two (2) years)
- ✓ Marketing Plan (Include analysis of competition)
- ✓ List of collateral pledged and value of collateral
- ✓ Current financial statements (balance sheet and income statements)
- ✓ Cash flow projections (3 years -- start-up and two additional years)
- ✓ Partnership Agreement (if applicable)
- ✓ Articles of Incorporation By Laws/Regulations (Corporation only)
- ✓ Copy of Business License and Other Licenses
- ✓ Proof of Insurance (if applicable)
- ✓ Zoning compliance (if applicable)
- ✓ At closing, a copy of the executed lease agreement for all businesses located on rental premises.
- ✓ Agreement pledging to create new permanent, full-time low/moderate income jobs
- ✓ Verification of courses in business completed; agreement to complete additional courses may be required
- ✓ Potential clientele.



### **IMPORTANT NOTE**

**All application packages and their contents become the property of AHCDD upon submission. If desired, please make a complete copy for your own personal files before submission. Thank you!**

## CONTENTS OF THE BUSINESS PLAN

Your plan should include all of the following information:

**COVER SHEET:**

- ✓ Name of Business
- ✓ Name of Principals (owners, partners, etc.)
- ✓ Address and phone number of the business

**EXECUTIVE SUMMARY:**

- ✓ A brief statement summarizing the content of the plan

**DESCRIPTIVE DATA ABOUT THE BUSINESS:**

- ✓ Description of the business
- ✓ Market
- ✓ Competition
- ✓ Location
- ✓ Management/Personnel

**FINANCIAL DATA:**

- ✓ Capital equipment list
- ✓ Estimated cash needed to start
- ✓ Sources and uses of funding
- ✓ Balance sheet
- ✓ Pro-Forma income projections (profit and loss statements)
  - Detail by month for first and second year
  - Notes of explanation
- ✓ Pro-Forma cash flow (cash flow statement)
  - Detail by month for first and second year
  - Notes of explanation
- ✓ Break-even analysis
- ✓ For an existing business:
  - Historical financial reports
  - Balance sheets for past three years
  - Income tax returns for past two years

**SUPPORTING DOCUMENTS:**

- ✓ Personal resumes
- ✓ Letters of reference
- ✓ Job description
- ✓ Copies of leases or contracts
- ✓ Personal financial statements
- ✓ Anything relevant or supportive of the plan
  - Credit reports

**QUESTIONS TO ASK YOURSELF**



<p><b><u>DESCRIPTION OF THE BUSINESS</u></b></p> <ul style="list-style-type: none"> <li>• Business form: Proprietorship, partnership, or corporation?</li> <li>• Merchandising, manufacturing or service?</li> <li>• What is the product?</li> <li>• Is it a new business? A takeover? An expansion?</li> <li>• Why will your business be profitable?</li> <li>• When is your business open?</li> <li>• Is it a seasonal business?</li> <li>• What have you learned about your kind of business from outside sources (trade suppliers, banks, other business people, publications, etc.)?</li> </ul>	<p><b><u>THE MARKET</u></b></p> <ul style="list-style-type: none"> <li>• Who exactly is your market?</li> <li>• How are you going to satisfy your market's wants?</li> <li>• How will you attract and hold your share of the market?</li> <li>• How are you going to price your products?</li> </ul> <p><b><u>LOCATION</u></b></p> <ul style="list-style-type: none"> <li>• What are your location needs?</li> <li>• What kind of building do you need?</li> <li>• Why is this desirable area? A desirable building?</li> <li>• How do you plan to keep an eye on any demographic shift in your area?</li> </ul>
<p><b><u>COMPETITION</u></b></p> <ul style="list-style-type: none"> <li>• Who are your nearest competitors?</li> <li>• How is their business doing?</li> <li>• What have you learned from their operations?</li> <li>• How do you plan to keep an eye on the competition?</li> </ul> <p><b><u>PERSONNEL</u></b></p> <ul style="list-style-type: none"> <li>• What are your personnel needs now?</li> <li>• What will your needs be in five years?</li> <li>• What will be your wage scale: Salary or hourly? Overtime? Fringe benefits? Taxes?</li> <li>• How do you plan to train personnel for both operation and management?</li> </ul>	<p><b><u>MANAGEMENT</u></b></p> <ul style="list-style-type: none"> <li>• How does your background/business experience help you in this business? Also, for your benefit, what weaknesses do you have and how will you compensate for them, i.e. what related work experience have you had?</li> <li>• Who is on the management team?</li> <li>• What are the duties of each individual on the management team?</li> <li>• Are these duties clearly defined? How?</li> <li>• What additional resource have you arranged to have available to help you and your Business?</li> </ul>
<p><b><u>APPLICATION AND EXPECTED EFFECT OF LOAN INVESTMENT</u></b></p> <ul style="list-style-type: none"> <li>• How will the loan (or other injection of new funds) make your business more profitable?</li> <li>• Should you buy or lease?</li> <li>• Do you need this new money? Establish a procedure for making borrowing decisions.</li> <li>• How is the loan to be applied?</li> </ul>	



**Please enclose this document with your Business Plan**

## PERSONAL FINANCIAL STATEMENT

U. S. SMALL BUSINESS ADMINISTRATION As of \_\_\_\_\_

Complete this form for: (1) each proprietor, or (2) each limited partner who owns 20% or more interest and each general partner, or (3) each stockholder owning 20% or more of voting stock and each corporate officer and director, or (4) any other person or entity providing a guaranty on the loan.

Name Business Phone ( )

Residence Address Residence Phone ( )

City, State, & Zip Code

Business Name of Applicant/Borrower

ASSETS	(Omit Cents)	LIABILITIES	(Omit Cents)
Cash on hands & in Banks		Accounts Payable	
Savings Accounts		Notes Payable to Banks and Others (Describe in Section 2)	
IRA or Other Retirement Account		Installment Account (Auto) Monthly Payment \$ _____	
Accounts & Notes Receivable		Installment Account (Other) Monthly Payment \$ _____	
Life Insurance--Cash Value Only (Complete Section 8)		Loans on Life Insurance	
Stocks & Bonds (Describe in Section 3)		Mortgages on Real Estate (Describe in Section 4)	
Real Estate (Describe in Section 4)		Unpaid Taxes (Describe in Section 6)	
Automobile(s)--Present Value		Other Liabilities/Monthly bills/Utilities (List in Section 7)	
Other Personal Property (Describe in Section 5)		Total Liabilities	
Other Assets (Describe in Section 5)		Net Worth	
Total		Total	

### Section 1. Sources of Income

### Contingent Liabilities

Salary		As Endorser or Co-Maker	
Net Investment Income		Legal Claims & Judgments	
Real Estate Income		Provision for Federal Income Tax	
Other Income (Describe Below)*		Other Special Debt	

Description of Other Income in Section 1.

\* Alimony or child support payments need not be disclosed in "Other Income" unless it is desired to have such payments counted toward total income.

(Use attachments if necessary. Each attachment must be identified as a part of this statement and signed.)

## Section 2. Notes Payable to Bank and Others

Name & Address of Noteholder(s)	Original Balance	Current Balance	Payment Amount	Frequency (monthly, etc.)	How Secured or Endorsed Type of Collateral

## Section 3. Stocks and Bonds.

Number of Shares	Name of Securities	Cost	Market Value Quotation/Exchange	Date of Quotation/Exchange	Total Value

## Section 4. Real Estate Owned.

Type of Property			
Name & Address of Title Holder			
Date Purchased			
Original Cost			
Present Market Value			
Name & Address of Mortgage Holder			
Mortgage Balance			
Amount of Payment per Month/Year			
Status of Mortgage			

## Section 5. Other Personal Property and Other Assets.

**Section 6. Unpaid Taxes.**

**Section 7. Other Liabilities.**

**Section 8. Life Insurance Held. (Face amount, cash surrender value, insurance company, and beneficiary)**

I authorize SBA/Lender to make inquiries as necessary to verify the accuracy of the statements made and to determine my creditworthiness. I certify the above and the statements contained in the attachments are true and accurate as of the stated date(s). These statements are made for the purpose of either obtaining a loan or guaranteeing a loan. I understand FALSE statements may result in forfeiture of benefits and possible prosecution by the U.S. Attorney General (Reference 18 U.S.C. 1001).

Signature:

Date:

Social Security Number:

Signature:

Date:

Social Security Number:

PLEASE NOTE: If you have any questions or comments concerning this information, please contact Chief, Administrative Branch, U.S. Small Business Administration, Washington, DC 20416.